

50-8006

SUBURBAN LIBRARY COOPERATIVE

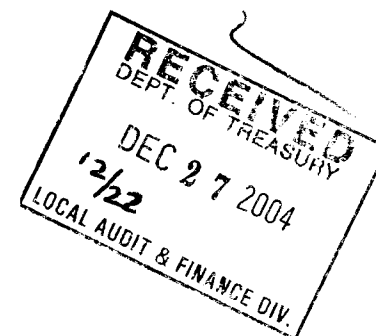
County of Macomb, Michigan

**FINANCIAL REPORT
WITH SUPPLEMENTAL INFORMATION
PREPARED IN ACCORDANCE WITH GASB 34
September 30, 2004**

BUSS & COMPANY, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

CLINTON TOWNSHIP, MICHIGAN



Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other	Local Government Name SUBURBAN LIBRARY COOPERATIVE	County MACOMB
Audit Date 9/30/04	Opinion Date 11/30/04	Date Accountant Report Submitted to State: 12/22/04

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) BUSS & COMPANY, P.C.			
Street Address 42550 GARFIELD, SUITE 105	City CLINTON TWP.	State MI	Zip 48038
Accountant Signature <i>Buss & Company, P.C.</i>		Date	

BUSS & COMPANY, P.C.

CERTIFIED PUBLIC ACCOUNTANTS
CLINTON TOWNSHIP, MICHIGAN

SUBURBAN LIBRARY COOPERATIVE

County of Macomb, Michigan

FINANCIAL REPORT

WITH SUPPLEMENTAL INFORMATION

PREPARED IN ACCORDANCE WITH GASB 34

September 30, 2004

SUBURBAN LIBRARY COOPERATIVE
County of Macomb, Michigan
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INDEPENDENT AUDITOR'S REPORT

November 30, 2004

Board of Trustees
Suburban Library Cooperative
County of Macomb, Michigan

Honorable Board Members:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Suburban Library Cooperative as of September 30, 2004, and for the year then ended which collectively comprise the basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Suburban Library Cooperative's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the remaining fund information of the Suburban Library Cooperative as of September 30, 2004, and the respective changes in financial position and cash flows where applicable for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Board of Trustees
Suburban Library Cooperative
November 30, 2004
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As described in Note VII, the Cooperative implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments as of October 1, 2003.

The management's discussion and analysis on pages 3 through 5 and budgetary comparison schedule on page 23, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Suburban Library Cooperative's basic financial statements. The other supplemental information is for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Respectfully,

BUSS & COMPANY, P.C.



Certified Public Accountants

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SUBURBAN LIBRARY COOPERATIVE
County of Macomb, Michigan
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2004

Using this Annual Report

This annual report consists of four parts - *Management's discussion and analysis* (this section), the *basic financial statements*, *required supplemental information*, and *other supplemental information*. The basic financial statements include information that presents two different views of the Cooperative:

- The *government-wide financial statements* provide both *long-term* and *short-term* information about the Cooperative's *overall* financial status. The statement of net assets and the statement of activities provide information about the activities of the Cooperative as a whole and present a longer-term view of the Cooperative's finances. These statements tell how these services were financed in the short term as well as what remains for future spending.
- The fund financial statements include information on the Cooperative in more detail than the government-wide financial statements. These *Fund Financial Statements* focus on current financial resources and provide a more detailed view about the accountability of the Cooperative's sources and uses of funds. The Fiduciary Fund financial statements provide information about activities for which the Cooperative is solely acting as an agent for a non-profit organization.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplemental information and other supplemental information* that further explains and supports the information in the financial statements.

Condensed Financial Information

The table below provides key financial information in a condensed format for the current year. Since this is the first year the Cooperative has prepared financial statements following GASB Statement 34, comparisons to the prior year are not available.

Current assets	\$2,771,898
Capital assets	379,558
Total Assets	<u>\$3,151,456</u>
Other liabilities	<u>\$ 555,937</u>
Total Liabilities	<u>\$ 555,937</u>
Net Assets:	
Invested in capital assets	\$ 379,558
Unrestricted	2,215,961
Total Net Assets	<u>\$2,595,519</u>
Revenue:	
State revenues	\$ 772,690
Charges for services	1,030,416
Other	45,919
Total Revenue	<u>\$1,849,025</u>
Expenses - Cooperative services	\$ 635,073
- Automation system operations	935,794
Total Expenses	<u>\$1,570,867</u>
Change in Net Assets	<u>\$ 278,158</u>

(Continued)

SUBURBAN LIBRARY COOPERATIVE
County of Macomb, Michigan
MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED
September 30, 2004

The Cooperative as a Whole

- The Cooperative's net assets increased by \$278,158 this year. This reflects that current users, and other supporters of the Cooperative have paid the full cost of operating the Cooperative, even after depreciation.
- The Cooperative's primary sources of revenue are from state revenues, which represents 42% of total revenue and charges for services to its members, which represents 56% of total revenue.
- Total expenses were 85% of total revenue for the year ended September 30, 2004. Salaries and fringe benefits amount to approximately 28% of total expenditures.

The Cooperative's Funds

The Cooperative uses funds to help it control and manage money for particular purposes. Looking at funds helps you consider whether the Cooperative is being accountable for the resources provided and insight into the Cooperative's financial health.

The Cooperative's major funds are as follows:

General Fund - The General Fund is used to account for the general operations of the Cooperative. This fund records revenues and expenditures using the modified accrual basis of accounting. The fund balance of the General Fund increased during the year by \$157,508. The total General Fund fund balance at September 30, 2004 was \$802,497.

Proprietary Fund - The Proprietary Fund is used to record the revenues, expenses and resulting income for the shared automation system. The fund reported an increase in net assets of \$104,788. This increase was due to reductions in internet and telecommunications costs from the prior year.

In addition, the Cooperative maintains a Fiduciary Fund to account for the activities of Macomb Literacy Partners, Inc., a non-profit corporation.

Cooperative Budgetary Highlights

Over the course of the year, the Cooperative Board amended the budget to take into account events that occurred during the year. The most significant amendment occurred in the Special Projects line item. This line item was reduced by \$100,000 due to the Foreign Language Collection project being delayed. This amount will be spent during the 2004-05 fiscal year to complete the project that was approved earlier this year.

The Cooperative has been very vigilant in looking for ways to lower costs while still providing the same services. The following are areas where actual expenditures were significantly less than anticipated.

General Fund: Personnel costs were less than budgeted due to the retirement of one staff member, leaving a vacancy for 2 months. Interlibrary loan expenditures were lessened because of a decrease in the expense for the Michigan Library Exchange (MiLE) project that SLC is involved in.

Proprietary Fund: Depreciation costs were significantly less than budgeted due to a decrease in capital expenditures in previous years. Telecommunications costs were also significantly less than anticipated due to the move from standard telecommunications lines to cable connections. A reorganization of cataloging procedures also reduced this line item expense.

(Continued)

SUBURBAN LIBRARY COOPERATIVE
County of Macomb, Michigan
MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED
September 30, 2004

Capital Assets

At the end of the fiscal year, the Cooperative had \$379,558 invested in net capital assets, including site improvements, office furniture and equipment, computer equipment and software. The Cooperative added \$97,388 of capital assets consisting of computer equipment, software and site improvements.

Economic Factors and Considerations for Next Year

The Cooperative is always sensitive to financial issues at the state level. Revenues for the Cooperative's general fund are dependent on the state. At this time, we are expecting the same allocation as the previous year and have budgeted accordingly.

During the 2004-05 fiscal year, the Foreign Language Collection project will be completed, and we have allocated monies for another special project to be completed during the year. All of our current member libraries are continuing with the shared automation system and we expect no significant changes in our expenditures.

Contacting the Cooperative's Management

This financial report is intended to provide our citizens, members, customers and investors with a general overview of the Cooperative's finances and to show the Cooperative's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Cooperative Director at 16480 Hall Road, Clinton Township, Michigan 48038.

BUSS & COMPANY, P.C.
 CERTIFIED PUBLIC ACCOUNTANTS
 CLINTON TOWNSHIP, MICHIGAN

SUBURBAN LIBRARY COOPERATIVE
County of Macomb, Michigan
STATEMENT OF NET ASSETS
September 30, 2004

	<u>GOVERNMENTAL ACTIVITIES</u>	<u>BUSINESS-TYPE ACTIVITIES</u>	
	<u>GENERAL FUND</u>	<u>ENTERPRISE FUND</u>	<u>TOTAL</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 806,535	\$ 836,510	\$1,643,045
Certificates of deposit	300,634	300,533	601,167
Investments	138,755	277,511	416,266
Prepaid expenses	-	35,496	35,496
Due from other governmental units	75,924	-	75,924
Capital assets, net	<u>11,049</u>	<u>368,509</u>	<u>379,558</u>
Total Assets	<u>\$1,332,897</u>	<u>\$1,818,559</u>	<u>\$3,151,456</u>
<u>LIABILITIES</u>			
Accounts payable	\$ 14,681	\$ 1,563	\$ 16,244
Due to member libraries	479,037	-	479,037
Deferred revenue	2,146	47,020	49,166
Accrued salaries	<u>2,796</u>	<u>8,694</u>	<u>11,490</u>
Total Liabilities	<u>\$ 498,660</u>	<u>\$ 57,277</u>	<u>\$ 555,937</u>
<u>NET ASSETS</u>			
Invested in capital assets	\$ 11,049	\$ 368,509	\$ 379,558
Unrestricted	<u>823,188</u>	<u>1,392,773</u>	<u>2,215,961</u>
Total Net Assets	<u>\$ 834,237</u>	<u>\$1,761,282</u>	<u>\$2,595,519</u>
Total Liabilities and Net Assets	<u>\$1,332,897</u>	<u>\$1,818,559</u>	<u>\$3,151,456</u>

See accompanying notes to financial statements.

Buss & Company, P.C.
 CERTIFIED PUBLIC ACCOUNTANTS
 CLINTON TOWNSHIP, MICHIGAN

SUBURBAN LIBRARY COOPERATIVE
County of Macomb, Michigan
STATEMENT OF ACTIVITIES
For The Year Ended September 30, 2004

	<u>PROGRAM REVENUES</u>			<u>GOVERNMENTAL</u> <u>ACTIVITIES</u>	<u>BUSINESS-TYPE</u> <u>ACTIVITIES</u>	<u>TOTAL</u>
	<u>EXPENSES</u>	<u>CHARGES FOR</u> <u>SERVICES</u>	<u>OPERATING</u> <u>GRANTS</u>	<u>NET (EXPENSE)</u> <u>REVENUE AND</u> <u>CHANGES IN</u> <u>NET ASSETS</u>	<u>NET (EXPENSE)</u> <u>REVENUE AND</u> <u>CHANGES IN</u> <u>NET ASSETS</u>	
<u>FUNCTIONS/PROGRAMS:</u>						
Primary Government:						
Governmental Activities:						
Cooperative services/operations	\$ 635,073	\$ -	\$ 26,666	(\$608,407)	\$ -	(\$ 608,407)
Business-Type Activities:						
Automation system/operations	<u>935,794</u>	<u>1,030,416</u>	<u>-</u>	<u>-</u>	<u>94,622</u>	<u>94,622</u>
Total	<u>\$1,570,867</u>	<u>\$1,030,416</u>	<u>\$ 26,666</u>	<u>(\$608,407)</u>	<u>\$ 94,622</u>	<u>(\$ 513,785)</u>
 <u>GENERAL REVENUES:</u>						
State revenues				\$772,690	\$ -	\$ 772,690
Interest on investments				6,741	7,781	14,522
Other miscellaneous				<u>2,346</u>	<u>2,385</u>	<u>4,731</u>
Total General Revenues and Special Item				<u>\$781,777</u>	<u>\$ 10,166</u>	<u>\$ 791,943</u>
 CHANGE IN NET ASSETS				\$173,370	\$ 104,788	\$ 278,158
 <u>NET ASSETS:</u>						
Beginning of year				<u>660,867</u>	<u>1,656,494</u>	<u>2,317,361</u>
End of year				<u>\$834,237</u>	<u>\$1,761,282</u>	<u>\$2,595,519</u>

See accompanying notes to financial statements.

BUSS & COMPANY, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
CLINTON TOWNSHIP, MICHIGAN

SUBURBAN LIBRARY COOPERATIVE
County of Macomb, Michigan
GOVERNMENTAL FUND BALANCE SHEET - GENERAL FUND
September 30, 2004

ASSETS

Cash and cash equivalents	\$ 806,535
Certificates of deposit	300,634
Investments	138,755
Due from other governmental units	75,822
Due from other funds	<u>102</u>
Total Assets	<u>\$1,321,848</u>

LIABILITIES

Accounts payable	\$ 14,681
Due to member libraries	479,037
Trust accounts	22,837
Accrued salaries	<u>2,796</u>
Total Liabilities	\$ 519,351

FUND BALANCE

Unrestricted	<u>802,497</u>
Total Liabilities and Fund Balance	<u>\$1,321,848</u>

See accompanying notes to financial statements.

Buss & Company, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
CLINTON TOWNSHIP, MICHIGAN

SUBURBAN LIBRARY COOPERATIVE
County of Macomb, Michigan
RECONCILIATION OF GOVERNMENTAL FUND BALANCE TO THE STATEMENT OF NET ASSETS
September 30, 2004

TOTAL FUND BALANCE - GOVERNMENTAL FUND \$802,497

Amounts reported for governmental activities in the statement of net
assets are different because:

Capital assets used in the governmental activities are not financial
resources and are not reported in the governmental funds:

Capital assets	\$ 50,182	
Accumulated depreciation	(39,133)	
		11,049

Other assets not available to pay current period expenditures are deferred in the governmental fund	<u>20,691</u>
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TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES \$834,237

See accompanying notes to financial statements.

BUSS & COMPANY, P.C.
 CERTIFIED PUBLIC ACCOUNTANTS
 CLINTON TOWNSHIP, MICHIGAN

SUBURBAN LIBRARY COOPERATIVE
County of Macomb, Michigan
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND - GENERAL FUND
For The Year Ended September 30, 2004

<u>REVENUES:</u>	
State aid - Direct	\$386,384
- Indirect	386,306
Interest	6,741
Miscellaneous	2,345
Grants	<u>5,976</u>
Total Revenues	<u>\$787,752</u>
<u>EXPENDITURES:</u>	
Personnel:	
Salaries and employee benefits	\$164,171
Travel, conferences and training	4,993
Administrative services:	
Professional services	6,793
Operating costs	33,467
Cooperative services:	
Centralized purchasing	275,000
Continuing education	6,203
Delivery	52,658
Interlibrary loan	67,209
Special projects	<u>19,750</u>
Total Expenditures	<u>\$630,244</u>
EXCESS OF REVENUES OVER EXPENDITURES	\$157,508
FUND BALANCE - OCTOBER 1, 2003	<u>644,989</u>
FUND BALANCE - SEPTEMBER 30, 2004	<u><u>\$802,497</u></u>

See accompanying notes to financial statements

BUSS & COMPANY, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
CLINTON TOWNSHIP, MICHIGAN

SUBURBAN LIBRARY COOPERATIVE
County of Macomb, Michigan
RECONCILIATION OF GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
September 30, 2004

EXCESS OF REVENUES OVER EXPENDITURES - GOVERNMENTAL FUND \$157,508

Amounts reported for governmental activities in the Statement of
Activities are different because:

Governmental funds report capital outlays as expenditures; in the Statement
of Activities, these costs are capitalized and depreciated over their
useful lives as depreciation

Depreciation expense

(4,829)

Revenue reported in the Statement of Activities that does not provide
financial resources and is not reported as revenue in the governmental fund

20,691

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES

\$173,370

See accompanying notes to financial statements.

BUSS & COMPANY, P.C.
 CERTIFIED PUBLIC ACCOUNTANTS
 CLINTON TOWNSHIP, MICHIGAN

SUBURBAN LIBRARY COOPERATIVE
County of Macomb, Michigan
PROPRIETARY FUND BALANCE SHEET
September 30, 2004

ASSETS

CURRENT ASSETS:

Cash and cash equivalents	\$ 836,510
Certificates of deposit	300,533
Investments	277,511
Prepaid expenses	<u>35,496</u>
Total Current Assets	\$1,450,050

NONCURRENT ASSETS:

Capital assets, net	<u>368,509</u>
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Total Assets	<u>\$1,818,559</u>
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LIABILITIES

CURRENT LIABILITIES:

Accounts payable	\$ 1,461
Accrued salaries	8,694
Deferred revenue	47,020
Due from other fund	<u>102</u>

Total Liabilities	<u>\$ 57,277</u>
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NET ASSETS

Invested in capital assets	\$ 368,509
Unrestricted assets	<u>1,392,773</u>

Total Net Assets	<u>\$1,761,282</u>
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Total Liabilities and Net Assets	<u>\$1,818,559</u>
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See accompanying notes to financial statements.

BUSS & COMPANY, P.C.

CERTIFIED PUBLIC ACCOUNTANTS
CLINTON TOWNSHIP, MICHIGANSUBURBAN LIBRARY COOPERATIVECounty of Macomb, MichiganPROPRIETARY FUND STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETSFor The Year Ended September 30, 2004REVENUES:

Member terminal rental	\$ 993,400
Equipment maintenance	27,355
Workshops	<u>2,385</u>
Total Operating Revenues	<u>\$1,023,140</u>

EXPENSES:

Administration:	
Salaries and employee benefits	\$ 268,225
Travel, conferences and training	8,609
Automation System:	
Depreciation	184,530
Maintenance	124,452
Telecommunications	31,525
Internet	117,461
Cataloging	168,570
Continuing education	2,200
Operating costs	<u>30,222</u>
Total Operating Expenses	<u>\$ 935,794</u>

OPERATING INCOME

\$ 87,346NON-OPERATING REVENUES:

Interest	\$ 7,781
Miscellaneous	<u>9,661</u>
Total Non-Operating Revenues	<u>\$ 17,442</u>

CHANGE IN NET ASSETS

\$ 104,788

NET ASSETS - OCTOBER 1, 2003

1,656,494

NET ASSETS - SEPTEMBER 30, 2004

\$1,761,282

See accompanying notes to financial statements.

BUSS & COMPANY, P.C.
 CERTIFIED PUBLIC ACCOUNTANTS
 CLINTON TOWNSHIP, MICHIGAN

SUBURBAN LIBRARY COOPERATIVE
County of Macomb, Michigan
PROPRIETARY FUND STATEMENT OF CASH FLOWS
For The Year Ended September 30, 2004

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from members	\$1,062,991
Cash paid to suppliers for goods and services	(538,410)
Cash paid to employees	(201,402)
Net Cash Flows - Operating Activities	<u>\$ 323,179</u>

CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES

\$ -

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Purchases of capital assets	(\$ 97,388)
Net Cash Flows - Capital and Related Financing Activities	<u>(\$ 97,388)</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Interest income	\$ 7,781
(Purchases) maturities of investments	<u>116,026</u>
Net Cash Flows - Investing Activities	<u>\$ 123,807</u>

NET INCREASE IN CASH

\$ 349,598

CASH AND CASH EQUIVALENTS - OCTOBER 1, 2003

787,445

CASH AND CASH EQUIVALENTS - SEPTEMBER 30, 2004

\$1,137,043

RECONCILIATION OF OPERATING INCOME TO NET CASH
PROVIDED BY OPERATING ACTIVITIES:

Operating income	\$ 87,346
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation	184,530
Miscellaneous income	9,661
(Increase) decrease in:	
Accounts receivable	19,589
Due from other governmental units	10,601
Prepaid expenses	(13,183)
Increase (decrease) in:	
Accounts payable	(21,846)
Accrued salaries	(641)
Deferred revenue	47,020
Due from other fund	<u>102</u>

Net Cash Flows - Operating Activities

\$ 323,179

See accompanying notes to financial statements.

SUBURBAN LIBRARY COOPERATIVE
County of Macomb, Michigan
FIDUCIARY FUND STATEMENT OF FIDUCIARY NET ASSETS
September 30, 2004

ASSETS

Cash and cash equivalents	\$ 90,826
Investments	1,755
Due from other governmental units	6,714
Capital assets	<u>35,944</u>

Total Assets	<u>\$135,239</u>
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LIABILITIES

Accounts payable	\$ 6,614
Accrued salaries	<u>3,779</u>

Total Liabilities	\$ 10,393
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NET ASSETS

Unrestricted	<u>124,846</u>
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Total Liabilities and Net Assets	<u>\$135,239</u>
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See accompanying notes to financial statements.

BUSS & COMPANY, P.C.
 CERTIFIED PUBLIC ACCOUNTANTS
 CLINTON TOWNSHIP, MICHIGAN

SUBURBAN LIBRARY COOPERATIVE
County of Macomb, Michigan
FIDUCIARY FUND STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
For The Year Ended September 30, 2004

REVENUES:

Community contributions:	
Unrestricted	\$191,686
Restricted	16,291
Read to Me Program revenues	17,875
Grants	<u>16,253</u>
Total Revenues	<u>\$242,105</u>

EXPENSES:

Personnel:	
Salaries	\$138,760
Benefits	37,823
Insurance	539
Contracted services	5,000
Administration:	
Operating expenses	9,157
Read to Me Program expenses	690
Training expenses	330
Postage	956
Repairs and maintenance	241
Memberships	125
Unrealized loss on investment	<u>102</u>
Total Expenses	<u>\$193,723</u>

CHANGE IN NET ASSETS \$ 48,382

NET ASSETS - OCTOBER 1, 2003 76,464

NET ASSETS - SEPTEMBER 30, 2004 \$124,846

See accompanying notes to financial statements.

SUBURBAN LIBRARY COOPERATIVE
County of Macomb, Michigan
NOTES TO FINANCIAL STATEMENTS
September 30, 2004

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Suburban Library Cooperative (the "Cooperative") conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies:

A. GOVERNMENTAL REPORTING ENTITY

The Suburban Library Cooperative operates under the authority of P.A. 89 of 1977. The Cooperative provides services to its member libraries. The Cooperative is governed by an appointed nine member board representative of the participating libraries. The Cooperative has no component units as defined by the Government Accounting Standards Board.

B. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

Government-Wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The statement of net assets includes and recognizes all long-term assets and receivables as well as long-term debt and obligations. The Cooperative's net assets are reported in two parts - invested in capital assets and unrestricted net assets.

The statement of activities demonstrates the degree to which the direct expense of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes (1) charges to member libraries who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meet the operational or capital requirements of a particular function or segment. State revenues and other items are not properly included among program revenues, and are reported instead as general revenue.

Fund Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recognized under the modified accrual basis of accounting when the related fund liability is incurred.

Interest associated with the current fiscal period is considered to be susceptible to accrual and has been recognized as revenue of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Cooperative.

(Continued)

SUBURBAN LIBRARY COOPERATIVE
County of Macomb, Michigan
NOTES TO FINANCIAL STATEMENTS, CONTINUED
September 30, 2004

B. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION (Continued)

Fund Financial Statements (Continued)

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the Cooperative's proprietary fund is charges to member libraries for the shared automation system. Operating expenses for the proprietary funds include administrative expenses and the cost of operating the automation system including depreciation. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The Proprietary Fund is accounted for using the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred. Fees collected for maintenance are recognized when billed.

The Cooperative reports the General Fund as a major governmental fund and its Enterprise Fund as a major proprietary fund.

The General Fund is the Cooperative's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.

The Proprietary Fund is an enterprise fund used to record the revenues and expenses and resulting change in net assets of the Cooperative's shared automation system for member libraries.

Additionally, the Cooperative includes a Fiduciary Fund which is used to account for the revenues and expenses of Macomb Literacy Partners, Inc., a non-profit corporation.

C. ASSETS, LIABILITIES AND FUND EQUITY

Cash and Cash Equivalents, Certificates of Deposit and Investments

The Cooperative is authorized to invest surplus funds in U.S. bonds and notes, certificates of deposit repurchase agreements, and certain investment pools that are composed of authorized investments. During the year ended September 30, 2004, the Cooperative invested in certificates of deposits, mutual funds, and investment pools.

For purposes of the statement of cash flows, the Cooperative considers all short-term investments with an original maturity of six months or less to be cash equivalents.

(Continued)

SUBURBAN LIBRARY COOPERATIVE
County of Macomb, Michigan
NOTES TO FINANCIAL STATEMENTS, CONTINUED
September 30, 2004

C. ASSETS, LIABILITIES AND FUND EQUITY (Continued)

Capital Assets

Capital assets are defined by the Cooperative as assets with an initial cost of more than \$1,000 and an estimated useful life in excess of two years. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Furniture and equipment	5-10 years
Site improvements	5 years
Computer equipment and software	3-5 years

Compensated Absences

It is the Cooperative's policy to permit employees to accumulate earned but unused vacation pay. There is no liability for unpaid accumulated sick leave since the Cooperative does not pay any amounts when employees separate from service. A liability for vacation pay benefits and related payroll taxes has been recorded in all funds at September 30, 2004.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designation of fund balance represents tentative management plans that are subject to change.

D. USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. BUDGETS

Annual operating budgets consistent with generally accepted accounting principles are formally adopted for the General Fund and the Proprietary Fund. The budgets can be amended by approval of the majority of the Board of Trustees. Amendments are presented to the Board at their regular meetings. All annual appropriations lapse at fiscal year end. No expenditures were incurred in these funds which were in excess of the amounts appropriated by the Board.

(Continued)

SUBURBAN LIBRARY COOPERATIVE
County of Macomb, Michigan
NOTES TO FINANCIAL STATEMENTS, CONTINUED
September 30, 2004

III. DETAILED NOTES

A. DEPOSITS AND INVESTMENTS

Deposits are carried at cost plus accrued interest which approximates fair value.

The Cooperative's cash and cash equivalents and investments are classified by Governmental Accounting Standards Board Statement Number 3 in the following categories:

Deposits (Checking accounts, savings accounts, certificates of deposit and money market accounts)	\$2,244,212
Investments in securities, mutual funds and similar vehicles	416,266

Deposits

At September 30, 2004, the carrying value of the deposits was \$2,244,212 and the bank balance was \$2,534,055. Of the bank balance, \$900,000 was covered by federal depository insurance and \$1,634,055 was uninsured and uncollateralized.

Investments

Investments in the government-wide statement of net assets consist of the following at September 30, 2004:

	<u>MATURITY</u> <u>DATE</u>	<u>INTEREST</u> <u>RATE</u>	<u>AMOUNT</u>
<u>GENERAL FUND:</u>			
U.S. Government Agency Bonds:			
Federal Home Loan Mortgage Corp.	11/15/2028	4.5%	\$138,755
<u>INTERNAL SERVICE FUND:</u>			
U.S. Government Agency Bonds:			
Federal Home Loan Mortgage Corp.	11/15/2028	4.5%	<u>277,511</u>
Total Investments			<u>\$416,266</u>

The Cooperative's investments are carried at quoted market prices which approximates fair value.

The Fiduciary Fund investments consist of shares of common stock carried at quoted market prices which approximates fair value.

(Continued)

SUBURBAN LIBRARY COOPERATIVE
County of Macomb, Michigan
NOTES TO FINANCIAL STATEMENTS, CONTINUED
September 30, 2004

B. CAPITAL ASSETS

Capital asset activity of the Cooperative was as follows:

	<u>BALANCE</u> <u>OCTOBER 1, 2003</u>	<u>ADDITIONS</u>	<u>DISPOSALS AND</u> <u>ADJUSTMENTS</u>	<u>BALANCE</u> <u>SEPTEMBER 30, 2004</u>
<u>GOVERNMENTAL ACTIVITIES:</u>				
Capital assets being depreciated:				
Office furniture and equipment	\$ 50,182	\$ -	\$ -	\$ 50,182
Accumulated depreciation	(34,304)	(4,829)	-	(39,133)
Total Governmental Activities				
Capital Assets, Net	<u>\$ 15,878</u>	<u>(\$ 4,829)</u>	<u>\$ -</u>	<u>\$ 11,049</u>
<u>BUSINESS-TYPE ACTIVITIES:</u>				
Capital assets being depreciated:				
Computer equipment and software	\$ 885,670	\$ 96,563	(\$ 19,999)	\$ 962,234
Site improvements	121,508	825	-	122,333
Total	<u>\$1,007,178</u>	<u>\$ 97,388</u>	<u>(\$ 19,999)</u>	<u>\$1,084,567</u>
Accumulated depreciation:				
Computer equipment and software	(\$ 445,775)	(\$180,770)	\$ 19,999	(\$ 606,546)
Site improvements	(105,752)	(3,760)	-	(109,512)
Total	<u>(\$ 551,527)</u>	<u>(\$184,530)</u>	<u>\$ 19,999</u>	<u>(\$ 716,058)</u>
Total Business-Type Activities				
Capital Assets, Net	<u>\$ 455,651</u>	<u>(\$ 87,142)</u>	<u>\$ -</u>	<u>\$ 368,509</u>

IV. PENSION PLAN

The Cooperative has established a Simplified Employee Pension Plan. The contribution is a percent of salaries as determined by the governing body of the Cooperative. The contribution for the year ended September 30, 2004 was approximately \$48,600 on covered payroll of approximately \$324,000. Total payroll for the year ended September 30, 2004 was approximately \$330,000. The plan covers all employees of the Cooperative who are age 21 and over and have been employed for six months.

(Continued)

SUBURBAN LIBRARY COOPERATIVE
County of Macomb, Michigan
NOTES TO FINANCIAL STATEMENTS, CONTINUED
September 30, 2004

V. DEFERRED COMPENSATION PLAN

The Cooperative contributes to a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan is administered by ICMA Retirement Corporation under an administrative service agreement. The plan is available to all employees and permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or financial hardship.

ICMA Retirement Corporation is responsible for plan administration. The Cooperative does not have any fiduciary or administrative responsibility for the plan. Therefore, the plan assets are not reported in the Cooperative's financial statement.

VI. RISK MANAGEMENT

The Cooperative is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries, unemployment benefits, as well as medical and workers' compensation benefits provided to employees. The Cooperative has purchased commercial insurance for workers' compensation, general liability, health, and life claims.

Settled claims for the commercial insurance have not exceeded the amount of coverage in any of the past three years.

VII. ACCOUNTING CHANGES

Effective October 1, 2003, the Cooperative implemented the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* (GASB No. 34). Changes to the Cooperative's financial statements as a result of GASB No. 34 are as follows:

A Management's Discussion and Analysis (MD&A) section providing analysis of the Cooperative's overall financial position and results of operations has been included.

Government-wide financial statements (statement of net assets and statement of activities) prepared using full accrual accounting for all of the Cooperative's activities have been provided.

Capital assets in the statement of net assets includes assets previously reported in the General Fixed Assets Account Group.

BUSS & COMPANY, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
CLINTON TOWNSHIP, MICHIGAN

REQUIRED SUPPLEMENTAL INFORMATION

BUSS & COMPANY, P.C.
 CERTIFIED PUBLIC ACCOUNTANTS
 CLINTON TOWNSHIP, MICHIGAN

SUBURBAN LIBRARY COOPERATIVE
County of Macomb, Michigan
BUDGETARY COMPARISON SCHEDULE
GOVERNMENTAL FUND - GENERAL FUND
For The Year Ended September 30, 2004

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>AMOUNTS</u>	<u>FINAL BUDGET</u>
				<u>FAVORABLE</u>
				<u>(UNFAVORABLE)</u>
REVENUES:				
State aid - Direct	\$386,684	\$386,384	\$386,384	\$ -
- Indirect	386,684	386,306	386,306	-
Interest	13,000	12,000	6,741	(5,259)
Miscellaneous	-	2,345	2,345	-
Grants	-	-	5,976	5,976
Total Revenues	<u>\$786,368</u>	<u>\$787,035</u>	<u>\$787,752</u>	<u>\$ 717</u>
EXPENDITURES:				
Personnel:				
Salaries and employee benefits	\$175,000	\$175,000	\$164,171	\$ 10,829
Travel, conferences and training	9,707	9,707	4,993	4,714
Administrative services:				
Professional services	10,500	10,500	6,793	3,707
Operating costs	45,500	45,500	33,467	12,033
Cooperative services:				
Centralized purchasing	275,000	275,000	275,000	-
Continuing education	10,000	10,000	6,203	3,797
Delivery	52,660	52,660	52,658	2
Interlibrary loan	85,000	85,000	67,209	17,791
Special projects	120,000	20,000	19,750	250
Total Expenditures	<u>\$783,367</u>	<u>\$683,367</u>	<u>\$630,244</u>	<u>\$ 53,123</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>\$ 3,001</u>	<u>\$103,668</u>	<u>\$157,508</u>	<u>\$ 53,840</u>

See accompanying notes to financial statements.

BUSS & COMPANY, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

CLINTON TOWNSHIP, MICHIGAN

OTHER SUPPLEMENTAL INFORMATION

BUSS & COMPANY, P.C.
 CERTIFIED PUBLIC ACCOUNTANTS
 CLINTON TOWNSHIP, MICHIGAN

SUBURBAN LIBRARY COOPERATIVE
 County of Macomb, Michigan
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS - BUDGET AND ACTUAL
PROPRIETARY FUND
 For The Year Ended September 30, 2004

	<u>BUDGET</u>	<u>ACTUAL</u> <u>AMOUNTS</u>	<u>VARIANCE</u> <u>WITH FINAL</u> <u>BUDGET</u> <u>FAVORABLE</u> <u>(UNFAVORABLE)</u>
<u>REVENUES:</u>			
Member terminal rental	\$ 998,000	\$ 993,400	(\$ 4,600)
Equipment maintenance	27,355	27,355	-
Workshops	<u>2,385</u>	<u>2,385</u>	-
Total Operating Revenues	<u>\$1,027,740</u>	<u>\$1,023,140</u>	(\$ 4,600)
<u>EXPENSES:</u>			
Administration:			
Salaries and employee benefits	\$ 274,000	\$ 268,225	\$ 5,775
Travel, conferences and training	14,799	8,609	6,190
Automation System:			
Depreciation	215,000	184,530	30,470
Maintenance	125,000	124,452	548
Telecommunications	70,000	31,525	38,475
Internet	135,000	117,461	17,539
Cataloging	180,000	168,570	11,430
Professional services	5,000	-	5,000
Continuing education	3,000	2,200	800
Operating costs	<u>33,600</u>	<u>30,222</u>	<u>3,378</u>
Total Operating Expenses	<u>\$1,055,399</u>	<u>\$ 935,794</u>	<u>\$119,605</u>
OPERATING INCOME (LOSS)	(\$ 27,659)	\$ 87,346	\$115,005
<u>NONOPERATING REVENUES:</u>			
Interest	\$ 18,000	\$ 7,781	(\$ 10,219)
Miscellaneous	<u>9,659</u>	<u>9,661</u>	<u>2</u>
Total Nonoperating Revenues	<u>\$ 27,659</u>	<u>\$ 17,442</u>	<u>(\$ 10,217)</u>
CHANGE IN NET ASSETS	<u>\$ -</u>	<u>\$ 104,788</u>	<u>\$104,788</u>

See accompanying notes to financial statements.

SUBURBAN LIBRARY COOPERATIVE
 County of Macomb, Michigan
 STATEMENT OF CHANGES IN FIDUCIARY FUND NET ASSETS - BUDGET AND ACTUAL
 FIDUCIARY FUND
 For The Year Ended September 30, 2004

	BUDGET	ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET FAVORABLE (UNFAVORABLE)
REVENUES:			
Community contributions:			
Unrestricted	\$171,000	\$191,686	\$ 20,686
Restricted	13,666	16,291	2,625
Read to Me Program revenues	7,025	17,875	10,850
Grants	16,253	16,253	-
 Total Revenues	 \$207,944	 \$242,105	 \$ 34,161
EXPENSES:			
Personnel:			
Salaries	\$150,000	\$138,760	\$ 11,240
Benefits	39,000	37,823	1,177
Insurance	539	539	-
Contracted services	5,000	5,000	-
Administration:			
Operating expenses	10,000	9,157	843
Read to Me Program expenses	500	690	(190)
Training expenses	600	330	270
Postage	1,000	956	44
Repairs and maintenance	241	241	-
Memberships	300	125	175
Unrealized loss on investment	-	102	(102)
 Total Expenses	 \$207,180	 \$193,723	 \$ 13,457
 CHANGE IN NET ASSETS	 \$ 764	 \$ 48,382	 \$ 47,618

See accompanying notes to financial statements.

BUSS & COMPANY, P.C.

Certified Public Accountants
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Clinton Township, Michigan 48038

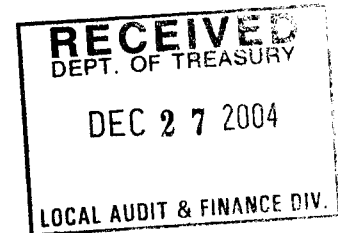
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Thomas J. Thomas, C.P.A.

MEMBERS
The American Institute of
Certified Public Accountants
The Michigan Association of
Certified Public Accountants

November 30, 2004

Board of Trustees
Suburban Library Cooperative
16480 Hall Road
Clinton Township, Michigan 48038



In planning and performing the audit of the financial statements of the Suburban Library Cooperative for the year ended September 30, 2004, we considered its internal control structure, in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure. The following items are presented that could affect the Suburban Library Cooperative's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Internal control comments are made encompassing the concept that the cost of any internal control system should not be greater than the benefits obtained. The accomplishment of recommendations that are of a legal compliance versus internal control nature are not covered by the same cost concept, but are governed solely by legal requirements.

COMMENTS

BUDGETING

The Cooperative's budgets were reviewed for compliance with the Uniform Accounting and Budgeting Act. The Act requires that expenditures in a specific appropriations account, in excess of the original budget, be approved by the Board with a transfer or supplemental appropriation. During the year ended September 30, 2004, no expenditures were incurred which were in excess of the amount appropriated by the Board.

COMMENTS
(Continued)

NEW FINANCIAL REPORTING MODEL

The Cooperative has implemented the new financial reporting standard (GASB Statement #34). This standard has significantly changed the look and content of the annual financial report. The fund financial information that you are accustomed to seeing is still included in the new financial statement format. In addition, the following major items have been added:

- Management's Discussion and Analysis: Management is now required to give an overview of the Cooperative's overall financial position and results of operation.
- Statement of Net Assets and Statement of Activities: These additional statements adjust the fund-based financial statements into a combined full accrual format. These statements include all capital assets of the Cooperative.
- Budgetary Comparison Schedule: This statement now includes both the original and final amended budgets as adopted by the Cooperative Board. Any significant budget amendments can be identified and are addressed in the Management's Discussion and Analysis section of the report.

PAYROLL RECONCILIATION

During the course of our audit we identified some salaries which were inadvertently charged to fringe benefit accounts. This was easily corrected with a journal entry. In order to identify payroll posting errors on a timely basis, we recommend that the bookkeeper prepare a reconciliation between the quarterly federal payroll return (Form 941) and the salaries posted to the accounting records for each quarter. Any discrepancies should be investigated and corrections made accordingly.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts, that would be material in relation to the financial statements being audited, may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, none of the conditions described above is believed to be a material weakness.

This report is intended solely for the information and use of the Board of Trustees, management, and others within the administration of the Suburban Library Cooperative. This restriction is not intended to limit distribution of this report which, upon acceptance by the Suburban Library Cooperative, is a matter of public record.

Respectfully submitted,

BUSS & COMPANY, P.C.

A handwritten signature in cursive script that reads "Buss & Company P.C.".

Certified Public Accountants

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